

**01413**

**1991/07/08**

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Date Printed: 01/24/1997

DOC\_NUMBER: 91GUANGZ04045

CHANNEL: n/a

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INFO LOG-00 ADS-00 AIT-03 AMAD-01 DS-00 EAP-01 SS-01  
/009W -----7A6F7B 080535Z /38

R 080507Z JUL 91  
FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 9657  
INFO AMEMBASSY BEIJING  
AMCONSUL SHANGHAI  
AMCONSUL SHENYANG  
AMCONSUL HONG KONG  
AIT TAIPEI 1063

DEPARTMENT OF STATE IM/IPS/CR/PB Date 3/19/97  
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E.O. 12356: N/A  
TAGS: PGOV, ETRD, OREP, CH  
SUBJECT: STAFFDEL ROBERTS VISIT TO GUANGZHOU

1. SUMMARY. HFAC STAFFDEL ROBERTS VISITED GUANGZHOU JUNE 30 THROUGH JULY 3. THE STAFFDEL TRAVELED OVERLAND FROM MACAO TO GUANGZHOU AND SAW THE REMARKABLE ECONOMIC DEVELOPMENT OF THAT PART OF THE PEARL RIVER DELTA. IN GUANGZHOU, THE STAFFDEL MET WITH REPRESENTATIVES OF THE GUANGDONG PROVINCIAL GOVERNMENT, INCLUDING SENIOR VICE

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GOVERNOR YU FEI, AND DISCUSSED U.S.-CHINA TRADE RELATIONS AND HUMAN RIGHTS ISSUES. THE STAFFDEL ALSO VISITED PROCTER & GAMBLE'S JOINT VENTURE FACTORY IN HUANGPU AND A "MODEL" REFORMATORY ON THE OUTSKIRTS OF GUANGZHOU CITY. END SUMMARY.

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OVERLAND FROM MACAO  
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2. HOUSE FOREIGN AFFAIRS COMMITTEE STAFFDEL ROBERTS (INCLUDING HFAC STAFFERS ARCH ROBERTS, FRANK RECORD, DAVID WEINER, JAMIE MCCORMICK, AND LISA HEYES) VISITED GUANGZHOU JUNE 30 THROUGH JULY 3. THE STAFFDEL WAS MET IN MACAO BY ACTING PRINCIPAL OFFICER JOHN TKACIK AND POLITICAL OFFICER GARY WILLIAMS. WHILE IN MACAO, THE

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STAFFDEL HAD LUNCH WITH LANCELOT RODRIGUES, DIRECTOR OF CATHOLIC RELIEF SERVICES. RODRIGUES IS A CATHOLIC PRIEST WITH LONG EXPERIENCE IN MACAO AND SOUTH CHINA. AFTER LUNCH, THE STAFFDEL TRAVELED BY CONSULATE VEHICLE OVERLAND FROM ZHUHAI TO GUANGZHOU, WHICH PROVIDED AN OPPORTUNITY TO VIEW THE EXTRAORDINARY RAPID ECONOMIC DEVELOPMENT OF THAT PART OF THE PEARL RIVER DELTA.

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MFN AND HUMAN RIGHTS  
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3. ON JULY 1, THE STAFFDEL MET WITH GUANGDONG PROVINCE SENIOR VICE GOVERNOR YU FEI. THE STAFFDEL DISCUSSED THE CONGRESSIONAL DEBATE OVER MFN STATUS FOR CHINA,

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U.S.-CHINA TRADE RELATIONS, REPORTS OF CHINESE PRISON MANUFACTURE PRODUCTS BEING EXPORTED TO THE U.S., AND HUMAN RIGHTS IN CHINA. YU SAID HE HOPED MFN WOULD BE RENEWED BECAUSE IT WOULD BE OF MUTUAL BENEFIT TO BOTH THE U.S. AND CHINA. HE CAUTIONED THE SHARP IMPACT DENIAL OF MFN WOULD HAVE ON MACAO AND HONG KONG.

4. ON THE SUBJECT OF THE U.S. TRADE DEFICIT WITH CHINA, HE SAID THIS WAS A PHENOMENON WHICH HAD EXISTED ONLY FOR THE LAST TWO YEARS. HE NOTED BEFORE THAT TIME, CHINA HAD A DEFICIT WITH THE U.S. HE ADDED CHINA WAS CONCERNED ABOUT THE TRADE DEFICIT AND WAS FOCUSING ON WAYS TO REDUCE IT.

5. ON PRISON LABOR PRODUCTS, THE VICE GOVERNOR SAID CHINESE EXPORT COMPANIES DO NOT, AS A MATTER OF POLICY, PURCHASE PRISON MANUFACTURED PRODUCTS AND EXPORT THEM TO THE U.S. HE ADMITTED, HOWEVER, MANY PRISON MADE PRODUCTS END UP ON LOCAL MARKETS AND SOME MAY ACCIDENTALLY GET EXPORTED LATER. YU APOLOGIZED TO THE STAFFDEL FOR BEING UNABLE TO ARRANGE A VISIT TO A LOCAL "PRISON," AS HAD BEEN REQUESTED. HE SAID THE LOCAL REFORMATORY, WHICH HAD BEEN VISITED THE PREVIOUS WEEK BY HONG KONG BUSINESSMAN AND MFN ADVOCATE JOHN KAMM, WAS UNDERGOING EXTENSIVE "MAINTENANCE" WORK. (NOTE: AFTER THE MEETING, THE FOREIGN AFFAIRS OFFICE, APPARENTLY AT THE VICE GOVERNOR'S BIDDING, SCHEDULED THE VISIT ANYWAY CLAIMING THE MAINTENANCE WORK WAS GOING TO BE POSTPONED JUST TO PROVIDE THE STAFFDEL AN OPPORTUNITY TO VISIT A "PRISON.")

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6. AT THE END OF THE MEETING, THE STAFFDEL PROVIDED A  
LIST OF CHINESE CITIZENS WHO HAVE BEEN DETAINED IN  
GUANGDONG PROVINCE FOR POLITICAL CRIMES. THE VICE  
GOVERNOR ACCEPTED THE LIST AND PROMISED TO LOOK AT IT

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/009W -----7A6F89 080535Z /38

R 080507Z JUL 91  
FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 9658  
INFO AMEMBASSY BEIJING  
AMCONSUL SHANGHAI  
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LATER. DESPITE SOME OF THE DIVISIVE ISSUES DISCUSSED  
DURING THE MEETING, THE ATMOSPHERE WAS FRIENDLY  
THROUGHOUT.

7. FOLLOWING THE MEETING WITH THE VICE GOVERNOR, THE  
STAFFDEL MET WITH KE XIAOHUI OF THE CHINESE COMMISSION  
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FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT).  
UNDER SHARP QUESTIONING BY THE MEMBERS OF THE STAFFDEL,  
KE INSISTED THE CHINESE GOVERNMENT WAS NOT RESTRICTING  
IMPORTS BY USING QUOTAS MANDATED BY THE CENTRAL  
GOVERNMENT. (NOTE: WE HAD BRIEFED THE STAFFDEL  
EARLIER ON THIS SUBJECT AND MADE IT CLEAR THERE WAS  
EVIDENCE SUGGESTING CHINA WAS USING IMPORT QUOTAS.) KE  
SAID DENIAL OF MFN WOULD, OF COURSE, HURT CHINA BUT  
CHINA WOULD SURVIVE AND IT WOULD THRIVE BY CULTIVATING  
OTHER INTERNATIONAL MARKETS. HE ALSO SAID MAINLAND  
CHINA WAS READY FOR DIRECT TRADE WITH TAIWAN WHENEVER  
TAIWAN WAS.

8. IN THE EVENING, THE STAFFDEL ATTENDED A DINNER IN  
THE CONSULATE TOWER WITH REPRESENTATIVES FROM THE  
FOREIGN AFFAIRS OFFICE LED BY DEPUTY FAO DIRECTOR ZHUO  
YI AND PROVINCIAL PEOPLE'S CONGRESS OFFICIALS LED BY  
DEPUTY SECRETARY GENERAL ZENG ZHAOKE. THE EVENING'S  
CONVERSATIONS FOCUSED UPON THE IMPORTANCE OF MFN  
RENEWAL TO GOOD U.S.-CHINA RELATIONS.

A VISIT TO A SUCCESSFUL JOINT VENTURE ENTERPRISE

9. ON JULY 2, THE STAFFDEL VISITED PROCTER & GAMBLE'S  
MODERN FACTORY LOCATED IN HUANGPU, AN HOUR AND A HALF  
DRIVE SOUTH OF GUANGZHOU. P&G MANAGEMENT PROVIDED A  
TOUR OF THE FACILITY AND DESCRIBED P&G'S LONG TERM  
STRATEGY FOR DOING BUSINESS IN CHINA (I.E., HEAVY  
INVESTMENT IN TRAINING AND DEVELOPING LOCAL STAFF AND

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MANAGEMENT). (COMMENT: P&G'S GUANGDONG OPERATION IS A  
JOINT VENTURE AND ONE OF THE MORE SUCCESSFUL  
ENTERPRISES OF ITS KIND IN SOUTH CHINA. AS GUANGZHOU  
RESIDENTS CAN ATTEST, P&G PRODUCTS FILL THE SHELVES OF  
LOCAL STORES AND ARE HIGHLY POPULAR WITH CONSUMERS.  
ACCORDING TO P&G, AFTER ONLY THREE YEARS OF PRODUCTION,  
THE LOCAL FACILITY IS WELL "ON THE WAY TO  
PROFITABILITY" SEVERAL YEARS AHEAD OF SCHEDULE. END  
COMMENT.)

A "MODEL" PRISON

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10. FOLLOWING THE P&G TOUR, THE STAFFDEL VISIT THE GUANGDONG PENAL INSTITUTION FOR YOUTHFUL OFFENDERS IN GUANGZHOU'S SHIJING DISTRICT. THIS REFORMATORY IS GUANGDONG'S SHOWCASE INSTITUTION. RUN UNDER THE AUSPICES OF THE PROVINCIAL LABOR DEPARTMENT, IT HOUSES 1,800 YOUTHS AGES 14 THROUGH 18. WE WERE TOLD WE WERE THE 35TH GROUP OF AMERICAN VISITORS TO TOUR THE INSTITUTION IN ITS 35 YEAR HISTORY (FOR A TOTAL OF 600 FOREIGN VISITORS). THE REFORMATORY DIRECTOR, MR. LU SANZHI, GAVE THE STAFFDEL A GUIDED TOUR INCLUDING THE GIRLS SECTION AND TWO OF THE BOYS SECTIONS.

11. THE YOUTHS, WHO ARE COMMITTED FOR A VARIETY OF INFRACTIONS (MOSTLY THEFT), WORK HALF DAYS IN REFORMATORY SHOPS AND STUDY HALF DAYS FOR SIX DAYS A WEEK. THE GIRLS DO MOSTLY SEWING. THE ONE BOYS SHOP WE VISITED WAS A PRINTING SHOP PRODUCING VARIOUS

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CHINESE FORMS FOR USE IN THE REFORMATORY AND FOR SALE OUTSIDE. (COMMENT: DURING JOHN KAMM'S VISIT THE WEEK BEFORE, HE HAD BEEN SHOWN A SHOP WHERE SIMPLE ELECTRONIC CIRCUIT BOARDS WERE PRODUCED. HE QUIZZED OFFICIALS AT LENGTH ABOUT THE POSSIBILITY SUCH PRODUCTS

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FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 9659  
INFO AMEMBASSY BEIJING

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MIGHT BE EXPORTED. END COMMENT.) TIME IS ALSO SPENT IN MILITARY STYLE DRILLING, WHICH THE STAFFDEL WITNESSED IN BOTH BOYS SECTIONS. ON SUNDAYS, RECREATIONAL ACTIVITIES (SPORTS, MOVIES, MONTHLY VISITS BY PARENTS) ARE PERMITTED.

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12. REFORMATORY OFFICIALS INSISTED ONLY A VERY SMALL FRACTION OF YOUTHS ARE REPEAT OFFENDERS AFTER SPENDING TIME IN THE REFORMATORY. THEY ALSO SAID ONLY ABOUT ONE PERCENT OF THE YOUTHS GO TO ADULT PRISONS AFTER PASSING THE AGE OF 18 (THOSE COMMITTED FOR VIOLENT CRIMES LIKE MURDER). THE INSTITUTION'S GROUNDS, DORMITORIES, AND WORK SHOPS WERE SPARTAN BUT CLEAN AND ORDERLY.

13. THE STAFFDEL DEPARTED FOR BEIJING ON JULY 3. STAFFDEL MEMBERS DID NOT HAVE AN OPPORTUNITY TO REVIEW THIS MESSAGE BEFORE LEAVING GUANGZHOU.

HARTER

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